Nassau Veterans Coliseum Site Redevelopment
Joint Venture (JV) Proposal of The Engel Burman Group and Kabro Associates

Response to RFP, Section 2, Item 5

The 77-acre property that includes and surrounds the Nassau Coliseum offers an unprecedented opportunity to create a mixed-use "Nassau Centre," a Central Business District in the heart of Nassau County to revitalize and build a vibrant community, which would be a catalyst for what County Executive Tom Suozzi has called his vision for "New Suburbia." The proposed Joint Venture (hereinafter referred to as "JV") Redevelopment Plan by The Engel Burman Group and Kabro Associates anticipates construction of such a Centre.

On 40 acres of the 77-acre site, this JV proposal calls for an 800-unit multiple-family apartment (condominium) complex. The residential component would consist of 4 buildings, 15 stories each and 200 units per tower. On the remaining 37 acres, commercial offices, consisting of three (3) towers of Class A office space, each with a cylindrical center core and two winged sections (as shown on the Conceptual Office Building Plan) would be built, along with ancillary retail within each building and a separate free-standing retail and restaurant center to service the office tenants (± 333,333 sq. ft. per tower, for a total = 2 million sq. ft.). The office space development is contingent on Nassau County condemning the Nassau Coliseum and the JV redeveloping its underlying land area on the site for offices. Thus, this JV proposal would not renovate the existing Nassau Coliseum. The combined total square footage of development would be approximately 2,960,000 S.F., with an estimated full market value of over $1.04 billion (see Table 1).

TABLE 1 – SQUARE FOOTAGE COMPLETED AND ESTIMATED FULL MARKET VALUE

Component	Sq. Ft. Completed	Estimated Full Market Value/Sq. Ft.	Estimated Total Full Market Value
800 Apartments (Condominiums)	960,000	$500*	$480,000,000*
Offices	2,000,000	$285**	$562,500,000**
TOTAL	**2,960,000**		**$ 1,042,500,000**

* Note: This market value is conservatively based on present constructions costs. For tax assessment purposes, the Nassau County Department of Assessment may consider these units and tax them as "Class 2" condominiums and cooperatives, and the assessed value would be determined as if the property were operated as a rental apartment building, or they may consider the project as new construction and determine its assessed value on the cost of construction.

** Note: Represents an average value between industry source estimates of $275 per sq. ft. for offices and $400 per sq. ft. for ancillary retail space based on the mix of office and retail space proposed in this JV Proposal.

It is anticipated that in the 800 units of condominium apartments there will be a mixture of apartment sizes ranging from studios and one-bedroom units to two-bedroom and three-bedroom units. Based upon industry sources and current market trends, it is expected that the bulk of the apartments will be two-bedroom units of approximately 1,200 square feet. Thus, an assumed average of 1,200 sq. ft. per unit has been utilized for this analysis.

Estimated Economic Impacts of the JV Proposal of The Engel Burman Group and Kabro Associates

This proposed JV Proposal will have numerous significant positive economic impacts on the Town of Hempstead, Nassau County, the Uniondale School District, other special districts and the overall Long Island economy. The following are the key impacts identified:

A. Short-Term Construction Phase

It is estimated that 815 construction workers will be required each year to develop the project over its 6-year development phase. The economic impact from this development project is also affected by a secondary multiplier or ripple effect. The majority of construction workers are expected to living on Long Island and they will generally spend their paychecks on Long Island. The wages of these employees help to support local supermarkets and clothing stores, thereby creating additional jobs throughout the Long Island economy. In this way, direct payroll spending is multiplied through successive rounds of respending so that the ultimate impact is a multiple of the original expenditure. This is what is referred to as the "multiplier" effect. This secondary impact, quantified by using an input-output model of the Long Island economy, can be just as significant as the original expenditure.

Utilizing these model multipliers, as applied to the estimated development cost of $1.04 billion, results in a secondary effect by more than $1.99 billion, including the original expenditure. It results in a net output increase of $0.95 billion ($947,945,250) over the development period. Secondary earnings and jobs would also occur and be created throughout the Long Island economy. While other industries would benefit, the greatest impact would occur in the construction industry.

B. Long-Term Permanent Operational Phase

Table 2 provides an estimate of the number of employees generated by the proposed project. Based upon these projections in Table 2, there will be an estimated 9,740 workers at the site at full development. This includes 100 at the apartment complex and 9,640 workers at the office complex, including the ancillary retail services within the 3 towers for the office workers and visitors to the buildings.

TABLE 2 – ESTIMATED NUMBER OF PERMANENT EMPLOYEES GENERATED

Use	Size/Amount	Estimation Rate Used	Estimated Number of Employees (Full & Part Time)
Apartments	800 units	8 units/employee	100
Offices	1,900,000 S.F.	200 S.F./employee*	9,500
Ancillary retail	100,000 S.F. ±	1.4 employee/1,000 S.F.	140
TOTAL			**9,740**

* Average rate since industry standards range from 1 employee per 125 sq. ft. to 1 employee per 250 sq. ft. depending on the type of office.

As of the U.S. Census of 2000, there are 755,924 people, 246,828 households, and 193,513 families residing in the Town of Hempstead. The population density is 2,433.0/km² (6,301.3/mi²). There are 252,286 housing units at an average density of 812.0/km² (2,103.0/mi²). The racial makeup of the town is 74.65% White, 14.78% Black or African American, 0.19% Native American, 3.53% Asian, 0.03% Pacific Islander, 4.50% from other races, and 2.33% from two or more races. 11.46% of the population are Hispanic or Latino of any race.

In the Town of Hempstead in April of 2000, the U.S. Census figures report there were 246,828 households, out of which, 36.5% had children under the age of 18 living with them, 62.2% were married couples living together, 12.3% had a female householder with no husband present, and 21.6% are non-families. 18.1% of all households were made up of individuals and 9.2% had someone living alone who is 65 years of age or older. The average household size was determined to be 3.02 and the average family sizewas 3.41.

In the town, the population is spread out with 25.4% under the age of 18, 7.8% from 18 to 24, 29.2% from 25 to 44, 23.4% from 45 to 64, and 14.1% who are 65 years of age or older. The median age is 38 years. For every 100 females, there are 92.3 males. For every 100 females age 18 and over, there are 88.2 males.

The median income for a household in the town is $68,083, and the median income for a family is $77,147. Males have a median income of $50,818 versus $36,334 for females. The per capita income for the town is $28,153. 5.8% of the population and 4.0% of families are below the poverty line. Out of the total population, 6.6% of those under the age of 18 and 5.7% of those 65 and older are living below the poverty line.

In addition to the U.S. Census figures, which are done every ten years, the Long Island Power Authority (LIPA) conducts annual population surveys based upon the relationship established between households and residential electric meters. Annually LIPA reviews these factors and makes adjustments, if necessary, to reflect demographic change. LIPA's year-end 1999 household size estimate was extremely close to the U.S. Census 2000 average household size of 2.95. Comparisons of the 2000 and 1990 Census show a decrease of 0.06 persons per household for the bi-county area.

Decreases in household size and increases in the number of households are attributed in part to the formation of a growing number of one-person households. According to the Census Bureau the number of Nassau-Suffolk single person households has more than doubled since 1970. In 1970 there were 65,696 households in this category, in 1980 112,567 were reported, and 1990 revealed 141,640 one-person households. The number of one-person households reported in the 2000 Census increased by 28,633 over 1990 or 20.2%. The increase in the number of retirement housing units and multi-family housing with its smaller household sizes have also contributed to a smaller overall unit size. According to the Long Island Regional Planning Board (LIRPB), declines in household size have been offset to some degree by the influx of young minority groups with their accompanying larger household sizes. Furthermore, they report that the household size declines experienced from 1960 to 1990 may have bottomed out in the 1990's and may now begin to inch higher.

The subject site is located within Census Tract 4073.01, within the Town of Hempstead. The Census Tract is roughly 7 miles across, which is primarily commercial, retail, light industrial, recreational and parks, institutional uses (Nassau Community College and Hofstra University) and County properties. The following are summary statistics from the U.S Census Bureau, 2000 Census regarding this particular census tract, which has relatively few single-family and multi-family housing units for an area of its geographic size:

- Total persons - 995
- Average household size - 3.45
- Average family size - 3.76
- Occupied housing units - 283
    i. Owner-occupied, 159 units, with a median value of $167,500
    ii. Renter-occupied, 124 units, with a gross rent of $1,092

To estimate the number of residents that would be generated by the proposed residential component, the JV reviewed 2000 Census median household sizes county-wide, as well as within local municipalities with a significant number of multiple-family apartment buildings, such as Great Neck Plaza, Mineola, Garden City, Hempstead, Lynbrook, and the cities of Glen Cove and Long Beach. The County household size average is 2.93. Local downtowns with apartment complexes vary from 1.74 for Great Neck Plaza to 2.83 in Garden City. Taking an average of these communities, the JV assumed a household size of 2.5.

It is estimated that the approximate 2,000 residents (800 units times 2.5 persons per unit) at full build-out of the apartment complex will have an aggregate gross household incomes of about $136 million (which is conservatively estimated based on today's dollars and the current median income for the town of $68,083, which will undoubtedly rise over the development cycle and occupancy of the project). If half of the income, $68 million, remains within the Long Island economy, it will have a significant beneficial effect on the Long Island economy. Input-output analysis suggests that household spending of this magnitude would increase Long Island's gross output of goods and services by more than $77 million. There would be a net output increase of approximately $10 million, Long Island earnings would increase by $25 million and over 2,800 secondary jobs would be created throughout the Long Island economy.

According to CB Richard Ellis in their "Market View" for the 1st quarter 2005, the Long Island office market has large blocks of office space in demand—and in short supply—through the first quarter of 2005. The availability rate increased from 10.1% a year ago to 10.6% at the end of the first quarter, primarily due to new construction. The previous rate of 10.1% was the lowest reported availability rate in the Tri-State area.

Average asking rents were stable, at $24.23 per sq. ft., up $0.12 since a year ago and net absorption registered 21,300 sq. ft. Availability remains tight in Long Island's prime Class A office buildings, comprising 37.2 million sq. ft. At 10.6%, the office market reported its lowest availability rate in more than four years since third quarter 2000 at 9.5%. Nassau County reported a tight market at 6.7% with limited large contiguous blocks of available space. Not surprisingly, developers are moving ahead to construct speculative office buildings again in Nassau County. The pace of investment sales activity continued in 2005. Capital market fundamentals remain favorable despite rising interest rates, and these trends are expected by CB Richard Ellis to continue throughout the year.

Looking ahead, CB Richard Ellis expects office market fundamentals to remain positive as companies continue to re-evaluate their space requirements, and, enter the market for space. The average asking rent increased in 2005 from $24.23 per sq. ft. to $24.87 per sq. ft. during the 12-month period, with average pricing for Class A space jumping by $1.76 per sq. ft.

The project's office segment will add 2,000,000 sq. ft. of Class A office space to Long Island's office inventory at full development. As of the first quarter 2005, this is equivalent to 5.3% of the current inventory of 37.4 million sq. ft. of office space. This inventory doesn't account for the total square footage of office space currently under construction, and other large-scale office developments proposed. One such significant proposal is The Heartland Town Square on the 452-acre property of the former Pilgrim State Psychiatric Hospital in Brentwood, Town of Islip, Suffolk County, which is in the approval process for a mixed-use development that is proposing 3,000,000 sq. ft. of Class A office space, 1,000,000 sq. ft. of retail development, 100,000 sq. ft. of civic space, as well as 9,000 apartment units in a mixture of condos, townhouses and apartments. Since the JV project will be implemented in phases, it is expected that this office space can be absorbed without affecting supply-demand relationships in the LI office market.

Based on the projected industry mix of jobs as shown in Table 3, it is estimated that the projected annual payrolls of almost $715.5 million as of 2014. Utilizing an input-output model of the Long Island economy, the projected 9,740 workers at the proposed project will support an additional 12,531 jobs throughout the Long Island (see Table 4). The approx. $715.5 million in payrolls will support an additional $924.5 million in earnings throughout the Long Island economy (see Table 5).

TABLE 3 – PROJECTED MIX OF JOBS AND PAYROLLS IN YEAR 2014

Use	Jobs	Average Annual Wages 2005	Projected Avg. Annual Wages, 2014	Projected Total Payrolls, 2014
Apt. -Services	75	$49,670	$71,650	$5,373,750
Apt. - Bus. Services	25	$39,019	$56,350	$1,408,750
Offices	9,500	$39,792	$73,955	$702,572,500
Retail	140	$30,645	$43,860	$6,140,400
TOTAL	**9,740**			**$715,495,400**

Source: New York State Labor Department

TABLE 4 – THE SECONDARY ECONOMIC IMPACT OF PERMANENT JOBS

Use	Jobs 2014	Direct Effect Job Multipliers	Direct & Secondary Jobs	Secondary Jobs Impact
Apt. -Services	75	1.4219	107	32
Apt. - Bus. Services	25	2.0122	50	25
Offices	9,500	2.3071	21,917	12,417
Ancil. Retail Offices	140	1.4075	197	57
TOTAL	**9,740**		**22,271**	**12,531**

Source: New York State Labor Department

TABLE 5 – THE SECONDARY ECONOMIC IMPACT OF PROJECTED PAYROLLS

Use	Projected Payrolls, 2014	Direct Effect Job Multipliers	Direct & Secondary Earnings Impact	Secondary Earnings Impact
Apt. -Services	$5,373,750	1.4219	$7,640,935	$2,267,185
Apt. - Bus. Services	$1,408,750	2.0122	$2,834,687	$1,425,937
Offices	$ 702,572,500	2.3071	$1,620,905,015	$918,332,515
Ancil. Retail Offices	$6,140,400	1.4075	$8,642,613	$2,502,213
TOTAL	**$715,495,400**		**$1,640,023,250**	**$924,527,850**

Source: New York State Labor Department

Revenues to the County

The JV Proposal has offered a proposal with a lease terms, with varying rates depending on if existing lease hold interest for the Nassau Veterans Memorial Coliseum is delivered to the JV. The net effect of these lease payments requires factoring any loss of revenues to the County they may be receiving from the agreements with the present Coliseum operator, Spectacor Management Group ("SMG") and the New York Islanders' for playing professional hockey at the Coliseum. These figures are not available to the JV.

It has been widely reported that the County loses $1.5 million dollars per year on the Coliseum and there are no monies appropriated in the County Budget to improve it. The existing sales tax revenues generated by entertainment and other venues at the Coliseum would be lost by the removal of this outdated facility; however, the JV proposal saves millions of dollars in reconstruction costs of this facility and would replace sales taxes generated by the 2 million sq. ft. of offices and retail. Additional detailed economic studies would need to be prepared to determine the net difference.

One of the most significant economic benefits of the JV proposal is the incremental tax revenues that will be generated over the development phase and in its operation on the next decades. The following Table 6 identifies the current assessed value and tax rate information. The 77-acre site is currently exempt from General County, Town and School Taxes, as follows:

TABLE 6 –CURRENT ASSESSED PROPERTY VALUE, EXISTING 2005 TAX RATES, AND ESTIMATED 2014 TAX REVENUES

Current Assessed Value (AV) Lots 351 & 403 (land & building) for County/Town '06' and School ('05-06')	$ 676,638 – land $ 1,156,574 – bldg. $1,833,212 TOTAL	Existing 2005 Tax Revenues Based on Taxable Value of Land & Bldg. of $1.8 m	Estimated 2014 Tax Revenues Based on Taxable Value of Land & Future Bldgs. of $ 5.6 m (rounded)
Nassau County & Town of Hempstead Combined Tax Rate (2005-2006 Roll)	269.101	$0	$ 15,069,656
Uniondale School District (2004-2005 Roll)	318.275	$0	$ 17,823,400
Total	587.376*	$0 – wholly exempt parcels	$ 32,893,056

* Note: The above tax rates, per Nassau County Board of Assessment, are per $100 of assessment. Current assessed value is based on the total taxable status as of Jan. 2, 2003, which identifies the parcels as "20X." for County exempt property. The tax rates shown are for Class 4 (commercial) properties in the area of the parcels within these taxing districts. The Assessed Value is based on current Board of Assessors established rate of 1% of appraised values. The County Board of Assessment can choose to transition assessments as the buildings are constructed and the occupancies in each are phased-in.

The projected Taxable Value in Table 6 is only an estimate based upon information available to the JV at this time. The land price is based on current County rolls and its assessed value (which would undoubtedly escalate over the next 6 to 7 years). For consistency of using one tax rate for the County/Town and School District, the 800 condominium units would be broken out separately from the office portion and would be taxed as Class 2 properties. An appraisal has not been performed. The current Nassau County assessments for Class 2 residential condominiums are based on an income analysis of rents applicable to units (by room). Special district taxes that may be applicable when the developed property is assessed are also not included and can not be estimated at this time, which further documents that the derived projections in Table 6 are conservative.

A more detailed tax projection analysis can be prepared. However, as these figures show, an estimated tax generation of approximately $33 million dollars annually at full development and fully assessed would compute for 2.96 million sq. ft. of completed building footage to over $11 per sq. ft. in taxes. There are no assurances that the assessments, taxable values and rates projected herein will be utilized at the time the proposed project is completed. However, clearly the analysis indicates that significant property taxes will be derived and expected to be well in excess of its current wholly exempt status.

While the proposed project will require governmental services, the net benefit to these taxing jurisdictions will be a tremendous benefit, especially the Uniondale School District. The luxury residential condo units will be geared toward older empty nesters, young dual-income professionals looking for an upscale lifestyle, and singles; and is not expected to generate a large number of school-aged children. Typically the market for this type of development would generate less than 5% of its population under age 18. Adding such few numbers of students would result in the Uniondale School District having a significant net benefit of the property taxes generated. Office buildings too generate significant tax benefits to the school district as no school children are generated with commercial development and no public school services are required. Perhaps some minimal amount of Uniondale Public Library services may be utilized, but with the availability of the Internet and many ways to access research materials and information on-line, this too in the future would not be a significant service used by tenants in a commercial office development.

Additionally, Town and County services such as garbage, interior roads and parking lot paving and maintenance, security patrol and snow removal are typically provided by contract services in these types of development complexes and the property taxes generated to these districts will also be a net benefit. Thus, a significant portion of the $15 million in taxes generated will be incremental taxes for the use and betterment of these taxing districts.

According to the 2006 Tentative Town of Hempstead Budget, of the total taxes generated throughout the town, the majority of the tax burden, over 63% of the tax bill go to pay School and Library taxes (Uniondale School and Library Districts), 20% to county services, 9% Town of Hempstead (General Town, Highway, Lighting, Refuse and Park), and the remaining 8% to special district funds. The proposal's condos and office space will generate millions more in tax revenues than the services used, resulting in a significant net benefit to the local districts, Town, County and State. The net tax benefit will help to stave future tax increases and enable these districts to provide better services, programs and facilities to all taxpayers.